

Message Text

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PAGE 01 JIDDA 02382 291118Z
ACTION SS-25

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R 291025Z MAR 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1561
INFO AMEMBASSY ABU DHABI
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C O N F I D E N T I A L JIDDA 2382

EXDIS

MILITARY HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: GDS
TAGS: MASS, EG, SA, TC, KU
SUBJECT: FUNDING OF F-5'S FOR EGYPT

REF: (A) STATE 68709 (B) CAIRO 9188 (C) ABU DHABI 808
(D) JIDDA 1498 (NOTAL)

1. IN ACCORDANCE WITH INSTRUCTIONS IN REFTEL A, WE HAVE NOT
RAISED WITH SAUDIS QUESTION OF FINANCING OF F-5'S FOR EGYPT.
HOWEVER, WE BELIEVE THAT SAG MAY BE WILLING AND MAY EVEN
PREFER TO ARRANGE FINANCIAL CONSORTIUM INCLUDING GULF STATES
AS WELL AS SAUDI ARABIA. IN THIS WAY, SAG RETAINS LARGE
MEASURE OF VISIBILITY FOR SAUDI LARGESSE BUT IT IS NOT
EXCLUSIVELY IDENTIFIED WITH EGYPT. IN ADDITION, BURDEN OF
COST IS SHARED BY OTHER OIL-RICH STATES.

2. AS FOR METHOD OF PAYMENT, WE THINK SAG MAY WELL PREFER
SOMETHING AKIN TO METHOD WORKED OUT FOR C-130 PROGRAM FOR
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EGYPT. THIS PROGRAM HAS BEEN SUCCESSFUL AND HAS INVOLVED
MINIMUM OF USG BADGERING FOR MAKING PAYMENTS ON SCHEDULE.
WE DOUBT THAT SAG WOULD BE WILLING TO DEPOSIT IN ADVANCE
ENTIRE SUM OF 400 MILLION DOLLARS IN ESCROW ACCOUNT, SINCE
THIS WOULD DEPRIVE SAUDIS OF POTENTIAL POLITICAL LEVERAGE
WITH EGYPT SHOULD THEY NEED IT SOMETIME DURING THE FOUR-
YEAR SALE PERIOD. THEY MIGHT BE WILLING TO DEPOSIT 100

MILLION DOLLARS EACH YEAR IN AN ESCROW ACCOUNT AS SUGGESTED
I PARA THREE REFTEL B BUT ONLY IF IT WERE INTEREST BEARING
ACCMQ AS SUGGESTED IN REFTEL C. ONE OF COMPLAINTS SAG
HAS VOICED ABOUT METHODS OF PAYMENT FOR FMS SALES HAS BEEN
LOSS OF INTEREST ON MONEY PAID IN ADVANCE FOR EQUIPMENT
DELIVERED MONTHS OR EVEN A YEAR LATER.

3. REGARDLESS OF METHOD ADOPTED, WE BELIEVE TI BETTER
FOR ALL CONCERNED THAT USG NOT GET ITSELF INTO POSITION
OF BILL COLLECTOR FOR GOE. WE HAVE PLAYED THIS ROLE IN
JORDANINA CASE AND IT HAS NOT HELPED OUR RELATIONS
WITH WITHER JORDAN OR SAUDI ARABIA.
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